

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 OIC-04 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 EB-11 FEA-02 FPC-01

H-03 INR-10 INT-08 L-03 NSAE-00 NSC-10 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SPC-03 SS-20 STR-08 TRSE-00

PA-04 PRS-01 USIA-15 NEA-11 IO-14 DRC-01 /217 W

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R 191925Z FEB 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8072

INFO AMEMBASSY BRUSSELS

AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 02199

STATE ALSO FOR T/IEP

E.O. 11652: XGDS-1

TAGS: ENRG, UK

SUBJECT: WASHINGTON ENERGY CONFERENCE: BRITISH
REACTION

REF: LONDON 2064

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BEGIN SUMMARY FENN (ENERGY DEPARTMENT, FCO) GAVE

PERSONAL COMMENTARY ON WASHINGTON CONFERENCE AND FOLLOW
ON WORK EMPHASIZING ALL BUT FRENCH TOOK RIGHT DECISION
WHEN CHIPS DOWN. AT SAME TIME FENN WAS CONCERNED THAT
FRENCH BE GIVEN EVERY OPPORTUNITY TO EASE THEIR WAY
BACK INTO EC AND LARGER CONSUMER-PRODUCER COOPERATION
IN LIEU OF BILATERAL APPROACH. HE BELIEVES EC-ARAB
PRODUCER STATE DIALOGUE SHOULD PROCEED ASAP ON ITS OWN
MERITS, TO SERVE AS SOUNDING BOARD FOR BROADER COOPERA-
TION AND AS VEHICLE TO CONTAIN FRENCH BILATERAL ACTIONS.
FOR LARGELY PRESENTATIONAL REASONS FENN BELIEVES FOLLOW-
UP MEETINGS OF SENIOR OFFICIALS SHOULD TAKE PLACE IN
EUROPE. ON SUBSTANTIVE SIDE, FENN THOUGHT EUROPEANS
DIFFERED WITH US ON POSSIBILITY OF AND APPROACH TO OIL
PRICE ROLLBACK. END SUMMARY

1. IN GIVING US PERSONAL COMMENTARY ON WASHINGTON
CONFERENCE AND RELATED ISSUES, FENN

SAID IMPORTANT POINT TO REMEMBER WAS THAT
AFTER TRYING TO HASH OUT COHON EC POSITION, ALL BUT
FRENCH TOOK RIGHT DECISION. HE NOTED THAT A FEW
SMALLER COUNTRIES HAD HAD GREAT DIFFICULTY IN BRING-
ING THEMSELVES TO LEAVE FRENCH IN ISOLATION. FENN
CREDITED FRENCH OBSTINACY FOR FINAL RESULT.

2. FENN TOLD US IN CONFIDENCE FRENCH HAD ALREADY
COMPLAINED IN LONDON TO OLIVER WRIGHT (DEPUTY UNDER
SECRETARY IN CHARGE OF ECONOMIC AND EC AFFAIRS, FCO)
ON FEBRUARY 15 THAT GOF WAS "SURPRISED" AT BRITISH
AND OTHER EC PARTNERS. FENN STATED FRENCH HAD NO
GROUNDS WHATSOEVER FOR "SURPRISE" SINCE, CONTRARY TO
GOF, OTHERS MADE CLEAR THEY CONSIDERED EC MANDATE
THE STARTING POINT, NOT THE UFM TTRAL, OF AN EC POSI-DB
TION IN WASHINGT
ON. ACCORDING TO FENN, WRIGHT
PRESCRIBED "TEA AND REST" AS CURE FOR INTRA-EC
SITUATION.

3. FENN TOOK NO PLEASURE OR COMFORT FROM FACT OF
FRENCH ISOLATION, OBSERVING THAT IT WOULD MAKE LIFE
EASIER FOR ALL OF US IF GOF WERE PERSUADED TO COME
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ALONG ON ENERGY COOPERATION. IN ADDITION TO POSSIBLE
DIFFICULTIES GOF MIGHT MAKE WITHIN EC ITSELF, FRENCH
NOW WOULD HAVE AT LEAST TEMPORARILY CLEAR ADVANTAGE
IN PURSUING BILATERAL DEALS WITH ARAB PRODUCERS TO
DISCOURAGEMENT OF OTHER CONSUMERS. HE THOUGHT IT IRONIC
THAT FRENCH WERE WRONG ABOUT BILATERALISM AS ANSWER
FOR ALL CONSUMERS BUT MIGHT GAIN SUBSTANTIAL BENEFITS
FROM FACT OTHERS HAD FORESWORN IT.

4. FENN SAID FEBRUARY 14 EC FOREIGN MINISTERS MEETING HAD BEEN POSTPONED BECAUSE OF PHYSICAL FATIGUE OF MINISTERS, NEED FOR COOLING-OFF PERIOD WITHIN EC AFTER BATTLE WITH FRENCH AND BELIEF IT WOULD BE UNWISE (IMPLIEDLY BECAUSE OF US SENTIMENTS) TO DISCUSS EC-ARAB PRODUCER RELATIONS SO SOON AFTER WASHINGTON CONFERENCE.

5. FENN WAS PERSONALLY IN FAVOR OF MOVING AHEAD QUICKLY WITH BOTH CONFERENCE FOLLOW-UP AND EC-ARAB DIALOGUE. EC-ARAB CONTACTS COULD BE USEFUL SOUNDING BOARD FOR LARGER CONSUMER-PRODUCER MEETING. ANY DIALOGUE WHICH MIGHT TAKE PLACE OBVIOUSLY WOULD BE

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WITHIN FRAMEWORK WHICH DID NOT CONTRAVENE LARGER INTERNATIONAL EFFORTS AT CONSUMER-PRODUCER COOPERATION. RAPID MOVEMENT TO EC-ARAB DIALOGUE MIGHT ALSO BE EFFECTIVE WAY OF BOTH BEGINNING TO BRING FRENCH BACK INTO CONSUMER FOLD AND MODERATING THEIR BILATERAL ACTIONS VIS-A-VIS PRODUCER STATES.

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6. FENN BELIEVED FOLLOW ON MEETINGS OF SENIOR OFFICIALS SHOULD TAKE PLACE IN EUROPE RATHER THAN IN WASHINGTON FOR PRESENTATIONAL REASON THAT ENTIRE EXERCISE SHOULD NOT BE SEEN AS US LED. IT MIGHT BE USEFUL NOT ONLY VIS-A-VIS OPEC BUT ALSO WOULD HELP FRANCE TO EASE HER WAY BACK INTO CONSUMER FOLD. FENN SUGGESTED HAVING VAN LENNEP CONVOKE FOLLOW ON SESSION IN PARIS UNDER OECD AUSPICES. HE THOUGHT BONN WAS GOOD SECOND CHOICE SINCE GERMANS WERE EC CHAIRMEN AT MOMENT.

7. FENN DISMISSED BRITISH ELECTION AS FACTOR IN RESTRICTING HMG PARTICIPATION IN FOLLOW ON WORK SINCE NO FAR-REACHING DECISIONS WOULD BE REACHED BEFORE FEBRUARY 28.

8. FENN REMARKED THAT WITH SO MUCH TIME SPENT ON INTRA-EC DELIBERATIONS, NOT MUCH WAS DONE ON SUBSTANTIVE ASPECTS OF ENERGY PROBLEMS. HE THOUGHT, HOWEVER, FINANCIAL DISCUSSIONS WHICH REINFORCED APPROACH TAKEN AT ROME MEETING WERE MOST WORTHWHILE. FENN NOTED SOME DIFFERENCE OF OPINION MAY STILL EXIST ON QUESTION OF HOW TO DEAL WITH OIL PRICE "ROLLBACK." BRITISH ARE NOT AS SANGUINE ABOUT PROSPECTS FOR MORE THAN SHORT TERM PRICE REDUCTION GIVEN PRODUCER STATE ABILITY TO LIMIT SUPPLY. ACCORDING TO FENN, THIS JUDGMENT, COUPLED WITH THEIR FAR GREATER DEGREE OF DEPENDENCE ON OPEC STATES, EXPLAINS WHY EUROPEANS ARE RELUCTANT TO ADOPT OVERTLY ADVERSARY POSTURE ON OIL PRICE REDUCTION ISSUE. HE ACKNOWLEDGED THAT SAUDIS COULD PLAY KEY ROLE IN THIS REGARD BUT CON-
TENDEED THAT IN ANY EVENT PUBLIC PRONOUNCEMENTS DEMAND-

ING ROLLBACK ARE LIKELY TO BE COUNTER-PRODUCTIVE.

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